

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 03-164

STATE AGENCY: Family and Social Services Administration

DATE PREPARED: Sep 5, 2003

DATE RECEIVED: Aug 25, 2003

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Digest of Proposed Rule: This rule amends 405 IAC 1-8-2 to clarify that ambulatory surgical center services are covered within the scope of 405 IAC 1-8.

The rule also amends 405 IAC 1-8-3 to eliminate outpatient reimbursement for outpatient hospital and ambulatory surgical center services occurring within three calendar days of an inpatient admission for the same or related diagnosis. The amendments also change the basis of rates that were established using data from 1992 to indicate that rates will be based on the fee schedule amounts during state FY 2003 and include conforming changes and other changes to reflect current operating policies.

The rule also amends 405 IAC 1-10.5-2 and 405 IAC 1-10.5-3 to define marginal cost factor; clarify the definition of a Medicaid day; modify inpatient reimbursement to pay the lower of provider charges or diagnosis related grouping (DRG) and level of care (LOC) inpatient rates; include the costs of outpatient hospital and ambulatory surgical center services that lead to an inpatient admission when determining relative weights; indicate that readmissions for the same or related diagnoses within three calendar days after discharge will be treated as the same admission for payment purposes; eliminate DRG payments for Medicaid recipients subsequent to their return from a transferee hospital; and changes the reimbursement methodology for inpatient hospital stays less than one day to the outpatient methodology. The amendments include conforming changes and other changes to reflect current operating policies.

Governmental Entities: *State:* The estimated reduction in expenditures to the Medicaid program are about \$31.4 M annually, of which approximately \$12 M are state General Fund dollars. This rule places no unfunded mandates upon state government.

Background: The provision that modifies inpatient reimbursement to pay the lower of provider charges or DRG and LOC inpatient rates is estimated by the Office of Medicaid Policy and Planning (OMPP) to represent approximately \$8.5 M of the total \$12 M state share of expenditure reduction. Treating readmissions for the same or related diagnoses within three calendar days after discharge as the same admission for payment purposes is estimated to account for \$3.5 M in annual state expenditure reduction.

The other rule changes covered by this submission are estimated by OMPP to represent either minimal or no fiscal impact to the state.

Local: These rule changes affect hospitals and ambulatory surgical centers actively participating in the

Medicaid program. To the extent that some hospitals and surgical centers may be owned or operated by local governments, local government entities may see some reduction in Medicaid reimbursement. This rule places no unfunded mandates upon any local government unit.

Regulated Entities: These rule changes are estimated to reduce Medicaid reimbursement to hospitals and ambulatory surgical centers by an aggregate \$31.4 M annually. According to OMPP, there are approximately 150 hospitals and 91 ambulatory surgical centers actively participating in the Medicaid program which would be affected in proportion to the Medicaid recipients served.

Information Sources: Zachary Jackson, OMPP, (317) 234-2928.